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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

In re)	Case No.: 11-10391-BAM
)	Chapter 11
JOHN E. HARNEY IV)	Hearing Date : March 22, 2011
AIMEE M. HARNEY,)	Hearing Time: 9:00 a.m.
Debtors in Possession.)	

STATUS REPORT OF
CHAPTER 11 REORGANIZATION

Debtors, by and through theirher counsel David A. Riggi, Esq., having commenced a chapter 11 bankruptcy on January 11, 2011, hereby presents this status report.

A. OCCUPATIONS, INCOME AND STATUS OF OPERATIONS

Debtors have two sources of revenues: (1) Mr. Harney's income as an officer with the Metropolitan Police Department of Las Vegas; and (2) the renting of one investment property. Mrs. Harney is a housewife. The Debtors operated a Tropical Smoothie restaurant franchise which, unfortunately, did not result in the success they had hoped. They closed the restaurant well before the filing of the bankruptcy and were left with substantial business-related debt: in addition to trade creditors, the Debtors owe sales tax to the state of Nevada.

1 B. CONTESTED MATTERS, CLAIMS LITIGATION AND ADVERSARY
2 PROCEEDINGS

3 There are no contested matters at this time. There will soon be filed, however, a motion
4 to value their primary residence so that they may strip-off a second mortgage of over \$200,000.
5 The deadlines file proofs of claims are May 11, 2011 (for non-governmental creditors) and
6 August 9, 2011 (for governmental creditors). At this time, there is no anticipated claims
7 litigation but, of course, that might change as more claims are filed. Also, the Debtors do not
8 anticipate the filing of any adversary proceedings.
9

10 C. THE PLAN OF REORGANIZATION

11 It is believed by the Debtor that the Disclosure Statement and Plan of Reorganization
12 will be filed no later than the last day of plan-filing exclusivity - **May 11, 2011**. The Plan
13 would focus on: (1) adjusting, through cramdown if necessary, the first mortgage on the
14 investment property; (2) stripping-off completely the second mortgage on their residence; and
15 (3) resolving business-related tax debts. The anticipated rental income from the Property, with
16 the Debtors' income from Mr. Harney's career, should be sufficient to fund the treatment in the
17 Plan. The Plan could also distribute a substantial amount to general unsecured claims. The
18 Plan should easily pass muster under a liquidation analysis and under a cash flow analysis.
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